



## Treasury Inspector General for Tax Administration

### THE OFFICE OF APPEALS NEEDS TO IMPROVE THE MONITORING OF ITS CAMPUS OPERATIONS QUALITY

Issued on May 10, 2007

## Highlights

Highlights of Report Number: 2007-10-071 to the Internal Revenue Service Chief, Appeals.

### IMPACT ON TAXPAYERS

The centralization of certain types of cases into the campus operations is a major Office of Appeals (Appeals) strategy for improving service to taxpayers and reducing case processing time. The Appeals Quality Measurement System, which is used by Appeals to monitor and report on the overall quality of casework, was not modified to produce a statistically valid evaluation of the quality of casework performed within specific campuses or specific work streams. As a result, Appeals may not detect areas needing improvement within the campuses or be able to determine if its strategy for improving quality is successful.

Campus personnel did not always follow the correct procedures or make the correct determinations on taxpayer appeals, which could result in increased taxpayer burden, reduction of taxpayer rights and entitlements, reduction of taxpayer privacy and security, and lost revenue to the Federal Government.

### WHY TIGTA DID THE AUDIT

The centralization of the Appeals casework was a major new initiative that affected the quality of casework as well as the length of time cases were processed in Appeals. Significant new initiatives were undertaken by Appeals to implement the campus operations. TIGTA's audit objective was to evaluate the quality and effectiveness of the centralized campus operations.

### WHAT TIGTA FOUND

Appeals was not monitoring the quality of work performed within the campuses in a statistically valid manner, Appeals did not always offer face-to-face hearings, campus employees made incorrect determinations, and proper notifications were not provided in Innocent Spouse cases. There were unnecessary delays when the campuses processed Collection Due Process and Offer in Compromise cases and long periods of inactivity during the

processing of Penalty Appeals cases and Innocent Spouse claims.

### WHAT TIGTA RECOMMENDED

The Chief, Appeals, should revise the methodology used to select statistically valid samples of cases closed by the campus operations to measure and report on the quality of casework; provide updated guidance and training sessions to ensure employees adhere to legal notification requirements when processing Innocent Spouse cases; communicate clarifications of the penalty abatement policies as well as emphasize the need for proper case research and application of penalty abatement criteria; and implement a review process to ensure campus employees make the correct decisions on statute of limitations claims. The Chief, Appeals, should also adopt consistent language for Uniform Acknowledgment Letters issued for Innocent Spouse, Non-Docketed, and Offer in Compromise cases to adequately inform taxpayers of the opportunity for requesting face-to-face hearings; revise the methods used to monitor the aging of Penalty Appeals cases and Innocent Spouse claims; and establish a timeliness standard for issuing Uniform Acknowledgment Letters for all Appeals casework.

Management agreed with our recommendations and is evaluating the options for measuring and evaluating campus case quality. Appeals plans to update Innocent Spouse case procedures and revise the notification letters used for these types of cases, conduct random sample reviews of refund claim cases to ensure proper decisions are being made, adopt consistent language in the Uniform Acknowledgment Letters to inform taxpayers of their options for requesting a face-to-face hearing, use real-time data to identify and address potential over-age cases, update the Internal Revenue Manual for the new processes, implement new action codes to track timely issuance of the Uniform Acknowledgment Letters, and update the procedures to document the new timeliness standard.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200710071fr.pdf>.

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